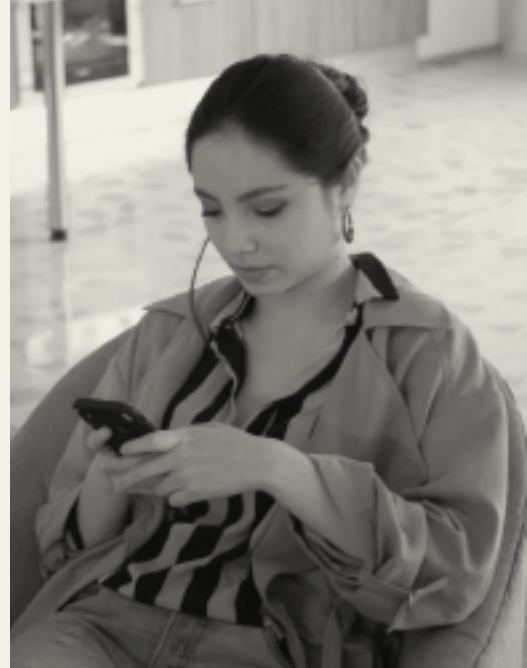


**ALWAYS STRIVE
TO LEAVE
THINGS
BETTER
THAN HOW
YOU FOUND
THEM**



SUSTAINABILITY REPORT Alfagres 2021



OUR PURPOSE

Alfagres strives
to improve each
person's real life
by understanding
and helping create
better spaces
where real life
can be genuinely
enjoyed.

THIS IS ALFAGRES 2021 SUSTAINABILITY REPORT

It contains figures,
It contains pictures,
It contains infographics,
But above all, it contains the
soul of this company,

It's what makes us get up every
morning, knowing that we do
more than just products.

OUR PRINCIPLES



RIGOR IN
DETAIL

At Alfagres, details are everything. Taking care of the little things means taking care of the big ones. The best solutions require great rigor from the very start. We strive to make perfect all details, always thinking about the people who will inhabit the spaces we create.



A DESIGN
THAT
WORKS

Our design is unique. We don't just focus on aesthetics. The truth is we apply aesthetics as part of something more profound, something that offers better performance and that can withstand excessive use (and even abuse). In this way, we contribute to a world in need of this type of resilience in design.

OUR PRINCIPLES



ARTIST-
ARTISAN

At Alfagres, our trade is done in the same way that artisans do their trade—with dedication and commitment. We don't pretend to be artists nor do we expect to be applauded. Perhaps this is why the result of our work is authentically artistic. In other words, we know that there is no nobler task than improving the lives of human beings and the world where we all live.



VALIDITY

We are constantly aware of our reality. For us, it's not simply about looking at trends. It's also about considering what human beings and the world need today and tomorrow. We don't want to be trendy. We much rather understand what is needed for real life to be better. At Alfagres, we are aware of this reality and adapt to it.

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1. ABOUT THIS REPORT

(102-32) (102-45) (102-48) (102-49) (102-50) (102-51) (102-52) (102-53) (102-54)

We have developed our first Sustainability Report which includes information of our economic, social and environmental performance from January 1 to December 31 of 2021. This report consolidates the management of Grupo Alfagres which is made up by the following companies: Alfagres S.A., Baldosines Torino S.A., Florgres S.A., Pisotrans S.A., Sociedad Minera de Pantoja S.A., OPA International Corporation and Baldosines Alfagres Ecuador. This report contains our progress communication with respect to Global Compact which we have been reporting since 2016.

The report has been formally revised and approved by the Steering Committee of the company and it is published on a yearly basis.

Each chapter contains information about management, results and objectives set according to the Global Reporting Initiative (GRI) standard in the “referenced” option identified by means of its respective code. Similarly, the contents are structured by the identification of material affairs regarding the company.

Should you require further consultation or additional information, please contact us via e-mail at:

sostenibilidadalfa@alfa.com.co



«EN LO POSIBLE,
PROCURA DEJAR
LAS COSAS MEJOR
DE COMO LAS
ENCONTRASTE»

Emilio Álvarez
CEO Grupo Alfagres

PIER CARLO BOGGIO BERTINET



The world is constantly being remodeled; and we are too. We do so by focusing on innovation and sustainability so that our products and solutions improve people's quality of life by enhancing the spaces and environments they live in.



Sustainability video

2. MESSAGE FROM THE CEO

(102-14)

In recent years, we at Alfagres have deepened our commitment to sustainability. We have been incrementing our capabilities, our knowledge, and most of all, our organizational culture seeking a better present and future for all. This future we seek is particularly meaningful if we are able to link the values that we share as an organization with our firm intent to serve people, making the world better through our work.

Hence, as the leader of this great group of people, I believe it necessary to accurately report the progress that Grupo Alfagres has had in becoming a sustainable organization. Additionally, we believe that communicating our vision of becoming a business that grows stronger provides people with a better quality of life, and by doing so, makes us a positive influence in our communities and helps us take care of our natural resources.

This report shows how we have successfully managed critical issues such as the financial reorganization to which we committed to and have begun its execution.

In 2021, we successfully entered into a financial reorganization agreement framed within Colombian Law 1116 of 2006. As part of this process, we redefined our business strategy, ensuring sustainability and financial stability for the company while strengthening commercial and credit relations with our suppliers.

Furthermore, during the last quarter of 2021, the shareholders of the two most relevant companies of our group—Alfagres S.A. and Alfacer del Caribe—expressed their willingness to merge and requested governmental approval which was granted on February 2022. This operation further enabled us to consolidate our business structures, strengthening manufacturing and operational efficiencies allowing us to better respond to new and future market demands.

During 2021, we faced additional challenges from having to manage the overall increases of prices of raw materials while at the same time dealing with social unrest in our country, heavily affecting our results the first quarter.

Despite these challenges and the ever-changing environment, our new strategies and reorganization led us to improved performances in the financial dimension. As a result, we achieved a sales increase of 9% when compared to 2020, with significant growth in profits before taxes, amounting to 144% **(from COP\$55.190 to COP\$24.096 billion)**. This paired controlled costs and expenses, we generated an increased value to Grupo Alfagres, increasing EBITDA by 273% **(from COP\$11.984 to COP\$44.728 million)**. This is certainly an important achievement which shows our stakeholders how by properly redefining strategy, we are quickly able to deliver results.

A significant aspect of our focus on sustainability is our purpose of substantially improving people’s lives. We do so by helping to create spaces and environments where life can be expressed genuinely and lived to the fullest. We envision this future by leveraging on innovation, quality and process efficiency.

Because of this, we have defined that innovation is key for our organization’s growth. In 2021, 11.6% of our sales were generated by new products, percentage that we will continue to grow through new developments in existing businesses and approaching sustainability in a way that empowers the organization and generates new efficiencies throughout our value chain.

In 2021, we reaffirmed our commitment towards society through actions aimed at caring for the environment, development of the community, job creation and an eco-efficient operation. We are committed to circular economy which drives a sustainable value chain and leads to growth in productivity with efficient use of resources (raw materials, water and energy).

Throughout 2022 we shall continue working to honor the statement of our founder Pier Carlo Boggio, to “always strive to leave things better than how we found them”. We will continue consolidating ourselves as a robust group committed towards sustainable growth based on innovation, offering comprehensive solutions for the construction and remodeling industry that are aligned with our values.

We would like to reiterate our permanent endeavor of promoting a responsible value chain, caring for and protecting the environment, generating and building social value so that our financial results are those expected and our positive impact on people and the planet is the best we can offer.

From our organization, we will continue driving our social commitment to strengthen our human talent and improve the communities that we interact with.

All this is only possible with the unwavering support and commitment of our more than 1,500 collaborators who constantly strive to strengthen their skills, knowledge and leadership in order to consolidate a culture that drives sustainable development.

We encourage you to read this sustainability report where we tell you who we are, what we have done and our commitments for the future.



See the executive
report

Emilio Álvarez
CEO Grupo Alfagres

3. CORPORATE GOVERNANCE, ETHICS AND COMPLIANCE

(102-12) (102-13) (102-17) (102-18) (102-19) (102-20) (102-22) (102-23) (102-24) (102-26)

3.1 CORPORATE GOVERNANCE STRUCTURE

At Alfagres, we have a corporate governance code to ensure transparency in the performance of our activities and to strengthen the rights and obligations of our shareholders, managers, executives, directors and employees.

The following is our corporate governance structure:

GENERAL SHAREHOLDERS ASSEMBLY

The General Shareholders Assembly had two meetings in 2021—one ordinary and one extraordinary—to define and approve the merger between Alfacer del Caribe S.A. under reorganization and Alfagres S.A. under reorganization.

BOARD OF DIRECTORS

The Board of Directors is comprised of five main members and five deputy members. In 2021, they held eight meetings. Of the ten board members, five are independent.

STEERING COMMITTEE

This committee is comprised by the CEO, five VPS (marketing, manufacturing, management, HR, supply chain and financial) and two managers (marketing, strategy and productivity).

BOARD OF DIRECTORS COMMITTEES

These are support bodies for the management and supervision of normal operations of the different companies.



Financial Committee:

This committee mainly monitors the budget execution, evaluates details on the needs of capital for the Group and recommends its financing, among other functions. It meets quarterly.



Audit Committee:

This committee is made up by members of the Board of Directors and the Company's CEO. In 2021 it re-defined and approved the Company's strategic risk map.



Manufacturing Committee:

This committee monitors the results of costs, budget, review of indicators and alignment of production objectives, among others. It meets monthly.



Innovation Committee:

This committee manages and prioritizes resource mechanisms. It is a space that promotes and manages innovation projects.

We believe that partnerships are essential for sustainable development. This is why we're a part of associations and guilds who work together in the development of our sector and the sustainable growth of our country.

3.2
ASSOCIATIONS AND GUILDS



Asociación Nacional de Industriales
Comité Cerámico



Cámara Colombiana de la Construcción
CAMACOL



Federación Colombiana de
Transportadores de Carga por Carretera
COLFECAR



Federación Nacional de Comerciantes
FENALCO



Mesa Minera



Pacto Global
Red Colombia

Pacto Global Red Colombia



ACOPLÁSTICOS



3.3
ETHICS AND COMPLIANCE

(103-1) (103-2) (103-3) (205-2) (205-3)

Our ethics objective is ensuring and balancing the rights and obligations of the different stakeholders. For this we have an ethics code to create and maintain relations grounded on transparency and trust. This code is published and known by all employees and is extended to partners, suppliers and all those related to the value chain.

In 2021, no relevant issues were reported. Additionally, through permanent controls and monitoring of processes of the organization, no significant issues related to ethics and compliance were identified.

TO MANAGE AND MONITOR ETHICS AND COMPLIANCE, WE HAVE THE FOLLOWING MECHANISMS IN PLACE:



COMPLAINTS CHANNEL

línea.etica@alfa.com.co

At Alfagres, we have an ethics hotline that operates around the clock everyday of the year so that any person or organization may report irregular behaviors, frauds or non-ethical issues.

Through the implementation of the SAGRILIFT system, we are able to conduct background checks on third parties we have commercial and/or labor relations with. Such verification includes the revision of restrictive lists and other lists in order to minimize the risk of associating with people involved in money laundering activities, financing of terrorism and financing for the proliferation of weapons of mass destruction.

We have a compliance officer for all the group companies as well as an internal audit program to verify compliance with the SAGRILIFT manual. Every two years we conduct an assessment on the identification and management of risks related to money laundering activities, financing of terrorism and financing for the proliferation of weapons of mass destruction.

In 2021, the company trained 230 employees on the new guidelines issued by the superintendence. This training will continue in 2022 and is extended to all other employees.

In 2022 we will update our risk matrixes related to money laundering and the financing of terrorism, together with a validation of controls thereof.

3.4 RISK MANAGEMENT

(102-15)

In 2021, with the participation of the different process leaders, we updated the strategic risks of the Group based on Standard ISO 31000 – Risk Management and Committee of Sponsoring Organizations of the Treadway Commission – COSO - Enterprise Risk Management ERM, which were further reviewed and approved by the Audit Committee of the Board of Directors.

CERTIFICATIONS



Pursuant to Colombian Resolution No. 7998 dated October 15, 2019, we obtained the Authorized Economic Operator certificate in safety and facilitation for export, which we maintain as of the closing of 2021. This certification is issued by the custom's authority related to the safe management and protection of the supply chain against terrorist acts, arms trafficking, money laundering, human trafficking and contraband.



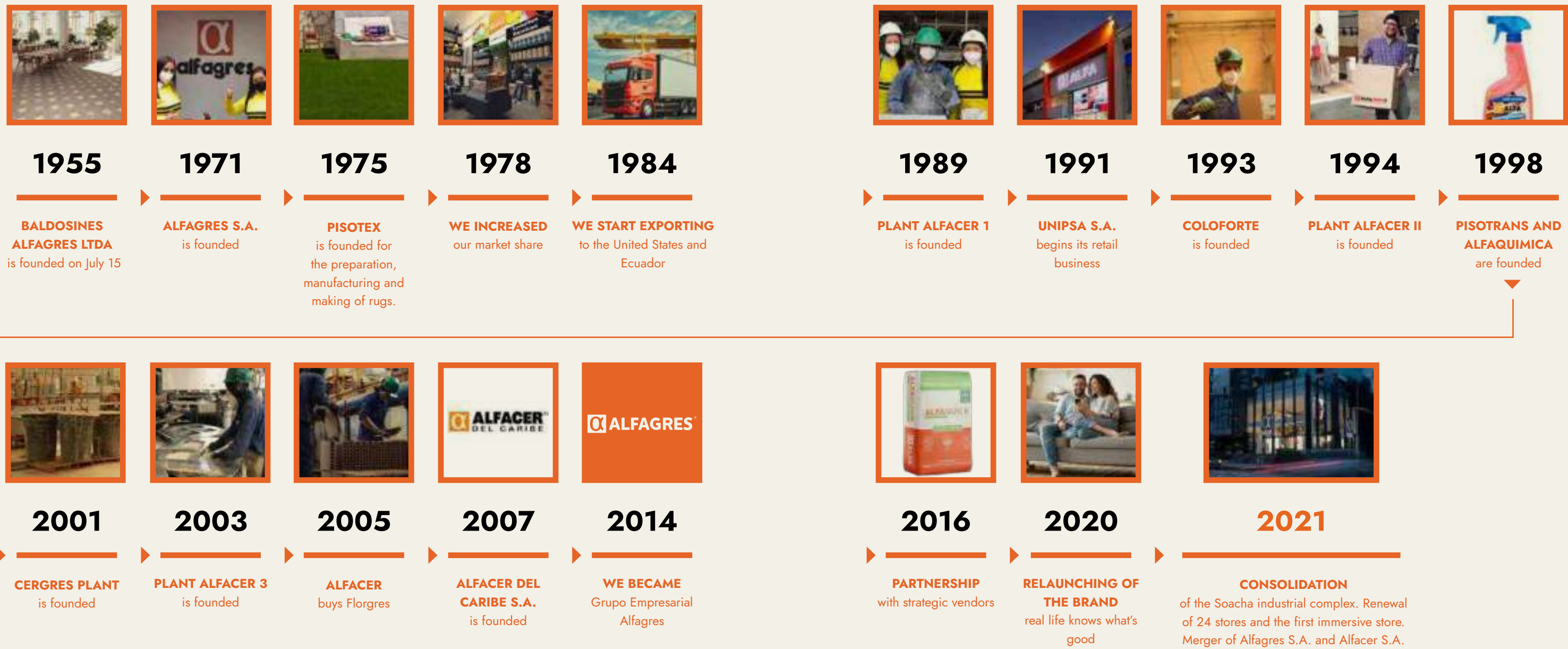
In 2021, we obtained the Business Alliance for Secure Commerce (BASC) recertification for the subsidiary Pisotrans S.A. to safely compete in domestic import and export shipments.

OPA international our US subsidiary has been CT-PAT certified for several years.

4. THIS IS WHO WE ARE AT ALFAGRES

(102-1) (102-2) (102-4) (102-6) (102-16)

4.1
OUR HISTORY



4.2
ALFAGRES TODAY
MAIN FIGURES 2021

(102-7)



+355.456

BILLION IN SALES IN GRUPO
Alfagres, GROWTH OF 9%.

11,6%

OF SALES CORRESPOND TO NEW PRODUCTS

\$24.096

BILLION PESOS IN
PROFITS BEFORE TAXES

GROWTH IN PROFITS
BEFORE TAXES OF

144%

16%

GROWTH IN
EXPORTS

GROWTH IN
EBITDA OF

273%



60%

OF WATER USED IN CERAMIC
PRODUCTS IS TREATED
WASTEWATER.

ZERO

DISCHARGES
OF INDUSTRIAL AND HOUSEHOLD WASTEWATER
IN CERAMIC FLOORING, STONEWARE, SLABS,
TILES AND PAINT SINCE 2016.

IN PARTNERSHIP WITH
FUNDACIÓN LA CAYENA,
WE PARTICIPATE IN

11

SOCIAL IMPACT
PROGRAMS,
BENEFITTING OVER
4,300
PEOPLE

THROUGH THE PROGRAM
CREADOR WE HAVE ENGAGED
MORE THAN

3,000



BLUE-COLLAR WORKERS AND
CONSTRUCTION
PROFESSIONALS IN

28

TRAINING SESSIONS

4.3
GENERAL DESCRIPTION OF BUSINESS LINES AND BRANDS



OUR BUSINESS UNITS

We offer comprehensive solutions for residential, commercial and institutional spaces by manufacturing and selling ceramic coverings, porcelanato, stoneware, terrazzo tiles, synthetic grass, vinyl and wood floorings, paints, maintenance products, solutions for kitchens and bath and other additions.



COVERINGS

Ceramic, porcelain tiles, stoneware, terrazzo slabs, laminated wood, rugs, synthetic grass and vinyl.

video



BATHROOMS AND KITCHENS

We provide a complete solution to our clients in bathrooms and kitchens, adapted to the real life of people.



CONSTRUCTION MATERIALS

We develop and sell paints and additives to install walls and flooring and for joints and water-proofing.



5. OUR CHALLENGES

At Alfagres we work on sustainability under the motto, “**We see it as a commitment and not a duty**”, and we want our people to continue feeling this way. The economic, social and environmental challenges that we face as an organization are increasingly greater and more demanding, so ensuring sustainable development has become a priority in our business and strategic agenda. What we do drives us to be the best in performance and contribution, raising our standards. We would like to highlight one of the statements made by our founder as a principle to guide us in the performance of sustainability: “Always strive to leave things better than how you found them.”



THIS HAS BECOME PART OF OUR ROAD MAP WHERE WE FOCUS MAINLY ON:



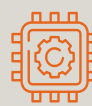
To permanently endeavor to improve the life of each person, understanding and helping to create spaces where this real life can be genuinely expressed.



To continue with the valuation of our portfolio with significant benefits for the consumer and the transformation of the organization into new commercialization models.



To strengthen and transform our marketing network, developing the digital business under an omnichannel model in order to improve our customers’ buying experience.



To evolve our industrial and supply chain capabilities through technological and productive updates, achieving an efficient and flexible operation that can swiftly react to the needs of the business, contributing to the efficiency and productivity strategy in terms of costs and expenses.



To consolidate the culture and behaviors of our team aligning it with the strategy and sustainability principles of the organization for the everyday lives or our people.



To continue strengthening the environmental management system in all of the components of the value chain.



To continue developing social management programs focused on employability, education and habitability in our area of influence.

These strategic objectives will allow us to consolidate our business with the industrial backing to achieve permanent and sustainable growth.

6. STRATEGY AND SUSTAINABILITY

6.1 SUSTAINABILITY APPROACH

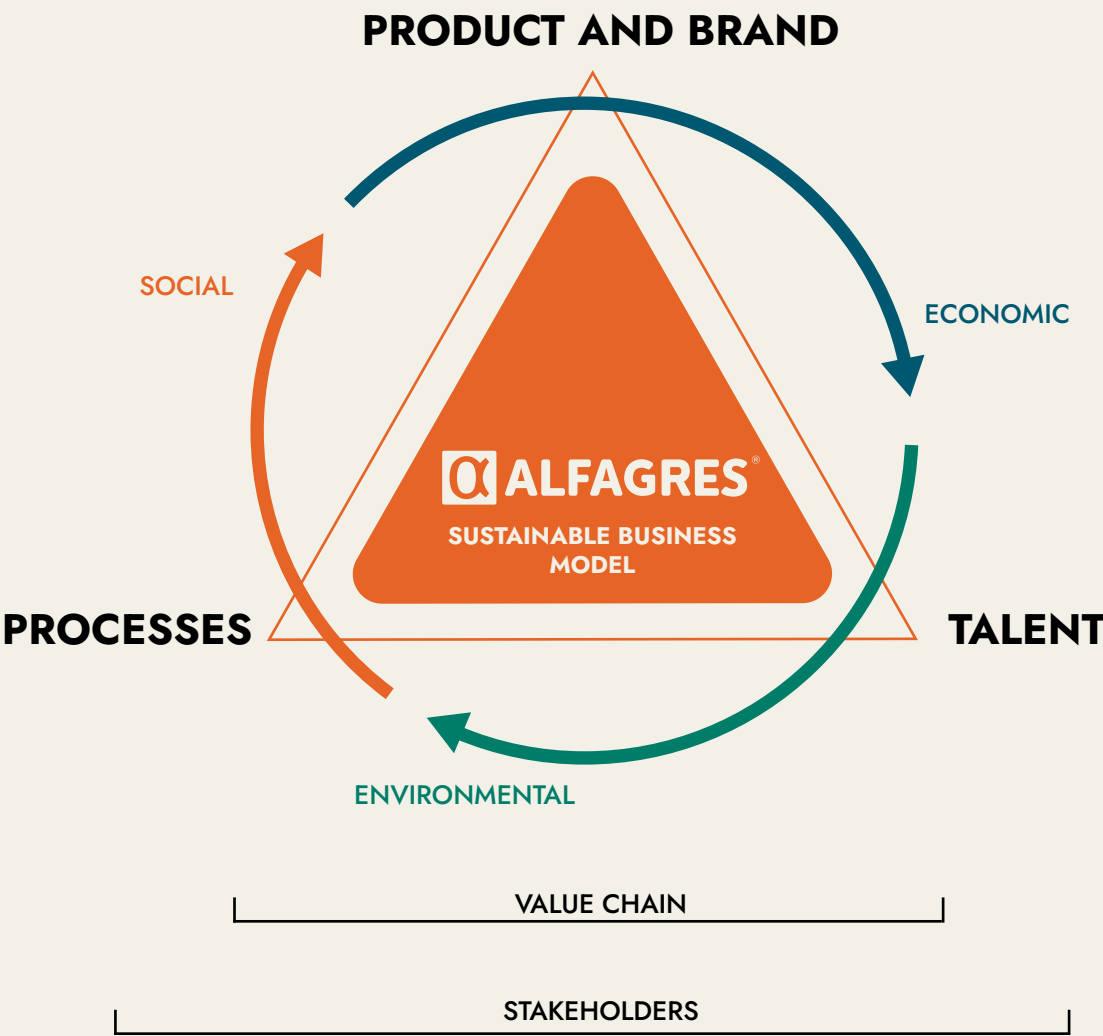
We are an organization that strives to generate collective prosperity while obtaining expected financial results. When we analyze our role in the world, we made it our purpose to have stakeholders who value the fact that we “innovate and develop sustainable solutions and products for spaces that transform the lives of people”. This purpose is embedded in the values and behaviors that our organization upholds and which honors the statement made by our founder Pier Carlo Boggio when he asked us to, **“Always strive to leave things better than how you found them.”**

Throughout the history of Alfagres, our focus has been the creation of sustainable value by understanding the needs of our stakeholders which enables us to develop constructive and equitable long term relations and generate positive impacts for society at large.

Our sustainable development model synchronizes our purpose of creating wealth with the responsibility it entails regarding the use of natural resources while simultaneously assuring the wellbeing of the community. For this, we have established three fundamental pillars upon which we act in a balanced manner within the three dimensions of sustainability:



SUSTAINABILITY MODEL



BRAND AND PRODUCT

Our consumers value and acknowledge in our products and organization the commitment of Alfagres to always do things right. From the innovation and design of our products, we think of how to integrate the entire business value chain in the creation of economic value, environmental benefits and collective prosperity for the society.



HUMAN TALENT

Our sustainability model is built from the behavior of people; hence we work hard to strengthen an organizational culture that through values and behaviors recognizes the importance of balancing the three dimensions of sustainability. This drives innovation and creativity for developing products and processes that take into account their environmental and social impact.

PROCESSES

Throughout the value chain, operational and functional processes are revised and redesigned considering the sustainable management model and the economic, social and environmental impact. Therefore, their impact is measured with the different related stakeholders and are structured to find a common benefit.

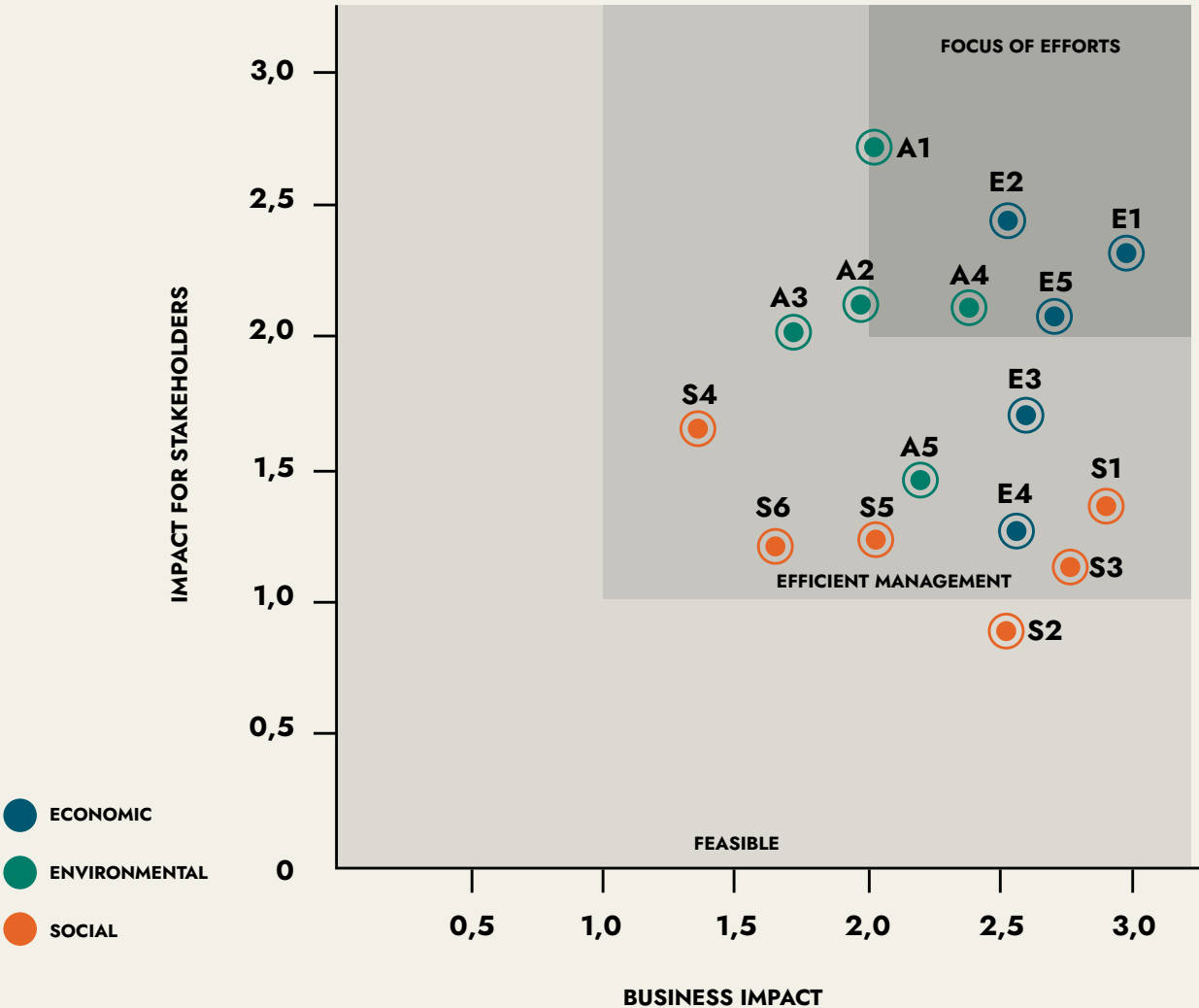
6.2
MATERIALITY AND STAKEHOLDERS

(102-46) (102-47)

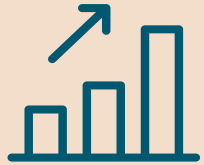
With the objective of identifying, prioritizing and managing the most relevant issues of the organization, where the most significant impacts are generated and where greater value is added to stakeholders in the short, medium and long term, we conducted our materiality analysis.

During this exercise we consider changes to our surroundings, sector dynamics and the strategic vision of the company.

MATERIAL AFFAIRS



MATERIALITY ISSUES



ECONOMIC

- E1 Profitable and sustainable growth
- E2 Innovation thought to improve the life of people and sustainability
- E3 Evolution in our industrial capacities and supply chain
- E4 Management of suppliers' sustainability
- E5 Ethics and compliance



ENVIRONMENTAL

- A1 Climate Change
- A2 Water management
- A3 Circular economy
- A4 Atmospheric emissions
- A5 Management of soil and biodiversity



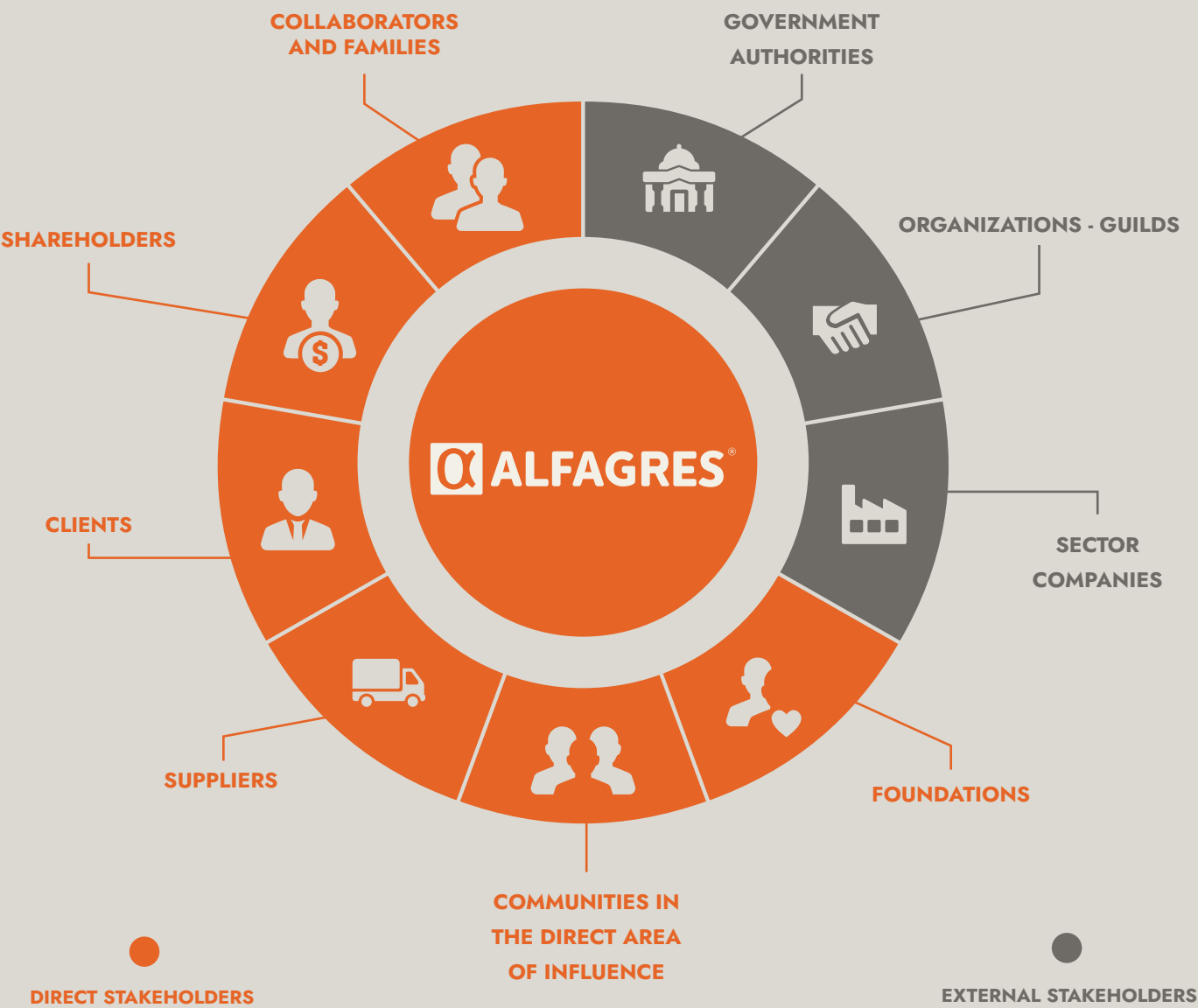
SOCIAL

- S1 Management of talent and culture
- S2 Wellbeing and quality of life
- S3 Health and safety at the workplace
- S4 Fostering of inclusion
- S5 EDUCATION AND EMPLOYABILITY: partnerships with foundations/others
- S6 HABITABILITY: partnership with foundations and other entities

STAKEHOLDERS

(102-40) (102-42) (102-43)

At Alfagres we build relations based on transparency, respect and mutual benefits with our stakeholders, and we understand that these relations are the basis to generating value and longevity.



DIRECT STAKEHOLDERS



Employees and families: Our Alfagres talent is of paramount importance to achieve corporate objectives. We strive for their wellbeing and their professional and personal development.



Shareholders: They are the ones who give us their trust and resources to achieve our objectives and contribute to the country's development.



Clients: Our clients are the reason of our existence. We work daily to meet expectations and transform their lives through products with the best market standards and committed to sustainability.



Suppliers: We work hand in hand with our suppliers to achieve our objectives. We create a win-win relationship making sure it aligns with our values and fulfills our quality standards, thus guaranteeing the supply chain.



Communities in the direct area of influence: We have a steady relationship with the communities in the area where we operate. We strive for their wellbeing and by means of different foundations we contribute to their economic and social development.



Foundations: They are our main allies in the work we do with the communities in our direct area of influence. We rely on their experience, knowledge and transparency for the implementation of social programs.

EXTERNAL STAKEHOLDERS



Government authorities: They play a vital role in our operations and we have a transparent and participative relation with them. We are committed to complying with the standards that regulate our activity.



Organizations - Guilds: At Alfagres we actively participate in different associations in order to contribute to the competitive and sustainable progress of the sector and the country.



Sector companies: We have positioned ourselves as one of the leading companies in the sector. We foster free competition for the benefit of our clients and the contribution to the economic development of our country.

6.3 SDGs

The Sustainable Development Goals (SDGs) is an action plan in favor of people, the planet, prosperity, peace and associations in order to make progress is bridging the main gaps in the world. These create partnerships between governments, companies and people to bridge these gaps and achieve the transformation of the objectives set for the next 10 years.

The private sector is highly responsible for the achievement of the SDGs. Issues such as the responsible allocation of capital, the creation of labor opportunities, the fight against corruption, the promotion of human rights, the fight against climate change, among others, are mechanisms for companies to contribute in resolving the challenges of sustainable development and the welfare of the territories where they operate.

At Alfagres, we prioritize SDGs in light of our corporate strategy. We identify which ones we have the most direct impact in.





ODS 5 GENDER EQUALITY

We are committed to gender equality and the participation of women in the performance of our activities and we strengthen procedures to achieve this. We would like to highlight a 34% participation of women in strategic positions and 54% participation in commercial and administrative areas.



ODS 7 AFFORDABLE AND CLEAN ENERGY

We consolidate actions that enable us to use hot air from final cooling to combustion in some of the ceramic production lines.



ODS 8 DECENT WORK AND ECONOMIC GROWTH

We create decent and quality jobs in our value chain. We promote fair labor, compensation and safety at work.



ODS 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

One of our main objectives is to improve people's quality of life, hence our innovation in product and service processes is developed to facilitate new and remodeling construction projects. We continuously assess our processes and how to reduce their impact.



ODS 11 SUSTAINABLE CITIES AND COMMUNITIES

We are committed to the sustainable development of cities by developing products that measure impact on citizens and protect the environment.



ODS 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

We are well aware of the relevance of using waste in some of our production processes as strategies for circular economy and responsible production.



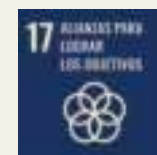
ODS 13 CLIMATE ACTION

In our production processes we assess the environmental impact of our actions. We implement measurement mechanisms that comply and improve current regulations.



ODS 15 LIFE ON LAND

We understand the need to care for and protect ecosystems. To that end we preserve and protect biodiversity in the environments surrounding our areas of operation.



ODS 17 PARTNERSHIPS FOR THE GOALS

We are convinced that partnerships are instrumental for sustainable development, reason why we belong to seven different associations in order to work jointly in the development of our sector and in the sustainable growth of our country.

7. WE CREATE SUSTAINABLE VALUE, OUR ECONOMIC DIMENSION

7.1 PROFITABLE AND SUSTAINABLE GROWTH

(103-1) (103-2) (103-3)

As of the reorganization process that the company began in 2019, we set an objective not only to honor this re-structuring process, but to go beyond and do a business plan that would transform Alfagres. The results shown in this report are product of that thought.

In 2021 we achieved extraordinary results that reverted the trend with significant growth in profits before taxes of 144% (from COP\$-55.19 to COP\$24.09 billion). Similarly, in addition to complying with our costs and expenses strategy, we increased the value of Group Alfagres, growing EBITDA by 273% (from COP\$11.98 to COP\$44,72 billion). The results were not only obtained thanks to the reorganization process, but also to the cultural transformation and controls in efficiency in the different areas of the company and the decision to focus investments to generate new growth platforms.

At the closing of 2021, Grupo Alfagres achieved revenues amounting to COP\$ 355.45 billion, with a 9% growth. This growth stems mainly from the strategy of our portfolio valuation to our final client and 16% of growth in the export business.

Operational expenses of the Company in 2021 show a reduction of 1% vis-à-vis 2020 explained by the control in fixed expenses and productivities defined in the strategic plan of 2021.

Finally, an important step was taken by the company in the road map to financial consolidation: to reach an agreement with debtors with votes to Alfagres S.A. of 85.51% and to Alfacer del Caribe S.A. of 88.34%.

With this cycle, not only did we consolidate the reorganization process, but we structured a strong strategy for our organization to face the future.



7.2
INNOVATION

(103-1)

At Alfagres, we are committed to improving people’s quality of life, hence our innovation in product and service processes is developed to facilitate new and remodeling construction projects. We therefore seek to develop new sustainable solutions and integrate them in the market, delivering a unique value proposition for our clients that is modern and comprehensive.

Likewise, we also believe that technology helps us provide an enhanced service and purchase experience for our clients. To that end, we are developing models, solutions and digital platforms to facilitate the relationship of our customers with the brand.

(103-2) (102-3)

Through innovation we permanently seek to boost existing businesses, being always mindful of working in a responsible manner and having a positive impact on our environment.

Thanks to innovation at Alfagres we have been able to generate the following **sustainable benefits:**



Alfagres dry milling production process makes our brands more sustainable when compared to others in the industry that have a wet milling process.



60% of total water consumption to manufacture ceramic coverings and stoneware is done using treated wastewater.



We recover 100% of non-conformance material from our production processes.



We care for the health of all our construction workers and painters thanks to low VOC content, and lead and mercury-free content in our adhesives and paints.



We contribute to saving water in households as we offer a broad range of low-water consumption faucets and toilets which save up to 45% and 70%, respectively.



We managed to replace plastic packaging with paper packaging for 92% of our additives and adhesive products, which amounts to over one million bags, thus becoming pioneers in the construction sector with this recycled packaging and a supply chain that is environmentally responsible.



Similarly, we enhanced our value proposition with the following products.

To care for people during the COVID19 pandemic, we developed **ALFACLEAN**, a fifth-generation quaternary ammonium ideal for sanitizing all types of surfaces at the home and work. It enhances the spectrum to eliminate microorganisms and dries fast. It is water based, biodegradable and ecofriendly.

We developed **PROTECT+**, new paints that:

1. Contain bactericidal and bacteriostatic agents that not only eliminate bacteria but also prevent their reproduction, creating protection that lasts over time and benefits the family's health.
2. Protect the health of painters as it does not contain hazardous heavy metals such as lead, cadmium, chromium and/or mercury. Additionally, it is low in volatile organic compounds (VOC).
3. Contain a pleasant bamboo fragrance which makes painting more pleasurable, as well a rapid adaptation to indoor spaces such as rooms or commercial premises.

We offer safety and wellbeing for outdoor spaces with our tiles that have a good solar reflectance index which reduces the absorption of solar heat. To that end, we developed the **60x40 Large Terrace** ideal for pools, corridors, terrace floors, etc.

We consolidate our value proposition by launching a wood-type ceramic line in a 15x60 format in response to the needs of our consumers and providing the best design, finishes and resistance to their spaces.

We also launched a new collection of bathrooms and coverings framed within the concept of “wellbeing” with a broad proposal of designs inspired in nature, **MODERN BATHROOMS AND WATER SAVINGS**.

During this last quarter, we launched a new ceramic collection in a 61x61 format. It consists of a complete covering portfolio for indoors and outdoors with different finishes and traffic endurance that can compete in a superior segment of value vis-à-vis our current portfolio proposal.

THESE NEW PRODUCTS CURRENTLY REPRESENT 11.6% OF COMPANY SALES.

ENHANCED SERVICE AND PURCHASE EXPERIENCE

We have transformed the experience of our clients in the entire chain. With our understanding of the new buying trends of consumers, we strengthen the proposal of the portfolio adjusted to actual market demand. Additionally, we designed a standard service and consulting model in our commercial network.

Also, we abide by our promise of service to our customers by designing efficient delivery processes through a direct distribution model and by reconfiguring our logistics network.

1. OMNICHANNEL MODEL

The digital scenario is becoming increasingly relevant. Therefore, we are focusing on interconnected processes in all communication and sales channels to enable and foster interactions between clients and the brand.

We have managed to increase our presence and the visibility of our portfolio in the digital realm, harnessing online sales through our e-commerce platforms combined with other platforms, services, and analogue and digital tools (simulators), generating a comprehensive buying model (Direct online sales only available in Colombia).

We have adopted new services to improve our customer's understanding and decision-making process by creating a virtual design center. We provide customers the ability to develop their dream project with a group of professionals in architecture and design to create personalized spaces, working with blueprints, renders and adequate product specifications. We were able to process over 2,000 design requests that represented around 5% of sales in our retail channel.

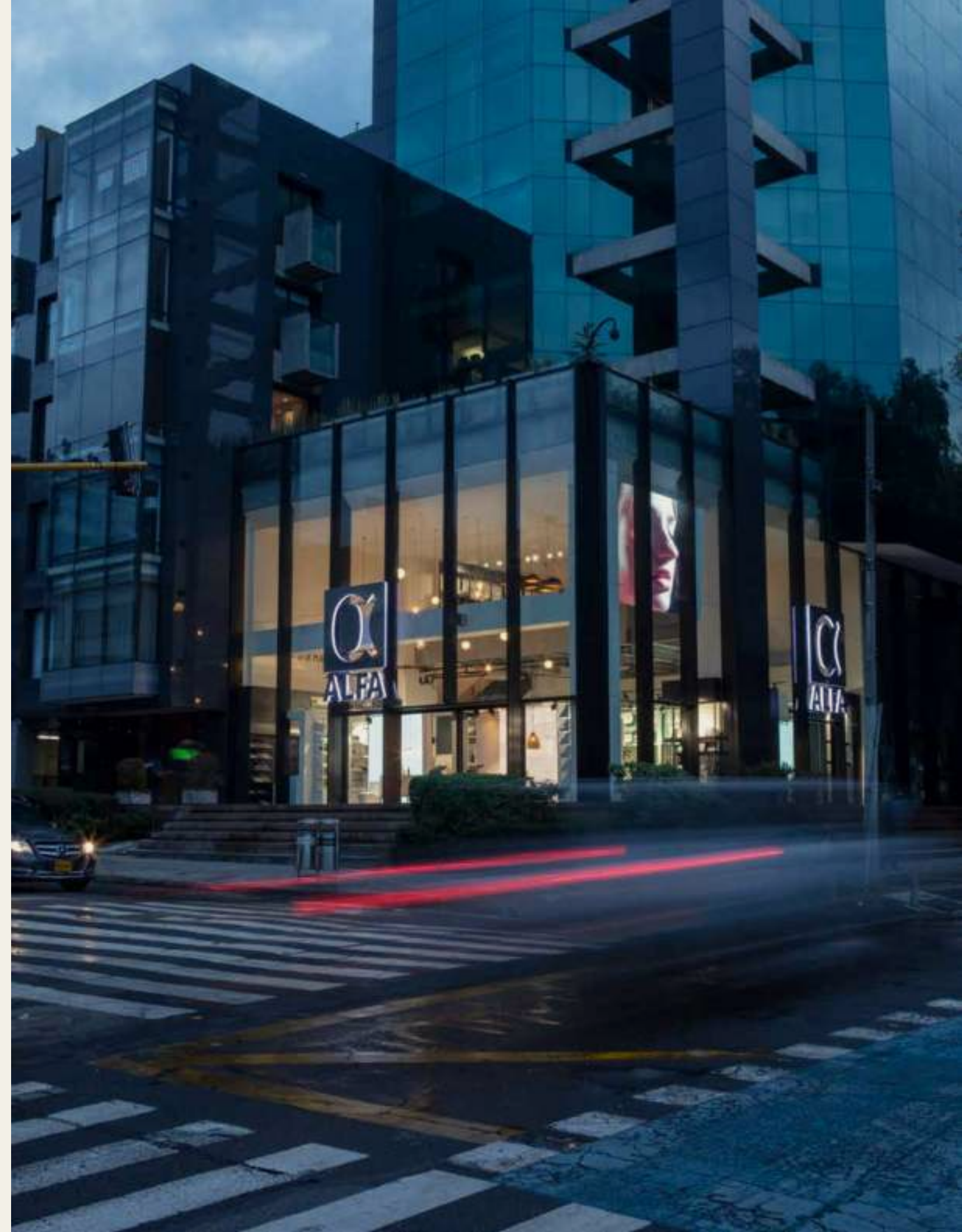


2. MODERNIZATION OF ALFAGRES STORES:

In 2021, we remodeled 30 stores nationwide, standardizing our brand identity in the marketplace. We launched our first immersive shopping store in the Colombian remodeling sector, taking a step forward with new technologies in simulation.

Our stores were designed under a flexible exhibition model streamlining the use of resources and thinking in customer behavior where normally they search for products and services with regards to a space at home. Hence, we provided an area in our stores where customers can access the materials they're looking for. Furthermore, all stores have an area called digital world that provide customers with tools such as a space simulator that simulates installation of different products, flooring, walls, paints and other predefined environments so they can visualize their end product and have access to additional portfolios that are not always exhibited in the store.

The first immersive shopping store in Colombia was inaugurated in one of Bogota's residential sectors. It has state-of-the-art screens that enable designing intelligent spaces and visualizing different textures or products, formats, installation styles and colors of joints, all operated by means of simulators. In this store, our customers may choose from an array of different environments with over 1,000 products of flooring, walls and decorations to simulate at true scale. They also can consult with expert designers or architects.





3. IMPROVE THE INTERACTION WITH CONSTRUCTION WORKERS

For construction workers, we developed a **Comprehensive Service Model (SIC, for its Spanish acronym)** by having a specialized commercial force to accompany and assist our strategic customers from the start to the finish of their project. We are also making progress in the implementation of the Building Information Modeling (BIM) methodology to create digital design simulation that coordinates all data for the completion of construction projects, reducing time and resources in the specifications.

4. EMPOWER DISTRIBUTORS' SELF-MANAGEMENT CAPABILITY

Lastly, we implemented a **digital business** platform starting with our main distributors which enables them to manage their operation in real time and safely, optimizing various commercial and service operations, creating an enhanced experience in the management of orders, traceability and administration of invoices and payments of our clients, contributing to increased value and the competitiveness of the business.



Our product commercialization in international markets has been done for over 40 years through Alfagres USA with over 450 direct customers and distributors in the retail and construction sectors in the United States, Central America, the Caribbean, Ecuador, Peru, Chile and Argentina. Likewise, we service some clients in the Asian market (Japan, Taiwan and Singapore).



In 2021, our sales volume abroad grew by 16% compared to the previous year thanks to the strategy for the optimization of logistic distribution processes, development of markets for the introduction of new product lines with emphasis in terrazo and stoneware tiles, and developing third party supplier lines to complement the portfolio offer.



7.4 EVOLUTION OF INDUSTRIAL CAPABILITIES

In alignment with our sustainability objectives, in 2020 and 2021 we began our **industrial transformation** process. In this framework, we structured a portfolio of projects with an investment in excess of COP\$38 billion (US\$10 million) to respond to new market demands and improve our operating efficiency.

The most important project enabled us to improve synergies and gave us the opportunity to broaden our portfolio of ceramic products. To that end, we closed the plant in Barranquilla, moving its operating capacity to our main plant in Soacha.

We undertake projects to increase our productive capacity in the stoneware line and seek new formats in high slenderness ceramics for different types of installation, and large size formats that require the implementation of a set of robots that would enable the management and transfer of great loads between operations.

7.5
MANAGEMENT OF VENDORS AND SUPPLY CHAIN

(102-9) (103-1)

At Alfagres we want to add value by creating win-win relationships with our suppliers and partners in mitigating risks and implementing the best quality standards, excellence in service and sharing best practices.

(103-2) (103-3)

Our new supply chain includes four main fronts categorized in a strategic – tactic manner as follows:



The following are some of our main achievements in 2021:



In the portfolio of bathrooms, our most important supplier of sanitary porcelain has been granted the WaterSense Certification for products highly efficient in water conservation. Likewise, we have faucet manufacturing partners with environmental certifications and seals in terms of conservation and yields, complying with LEED and Edge certifications.



Devising and executing direct delivery models to end costumers with some suppliers for the purchase of finished products to commercialize, thus reducing unnecessary transit and pollutant emissions.



We are focused on caring for the environment, so we processed 100% of invoices digitally thereby reducing paper consumption.



We contributed to circular economy reusing big bag packages and IBC (large volume containers with imported raw materials) and deliver them to local suppliers to repackage national raw materials.



In 2021, we recovered 18% of wooden pallets that we dispatched with our products.

8. SOCIAL DIMENSION – WE GROW TOGETHER

8.1 OUR INTERNAL SOCIAL FOOTPRINT – MANAGEMENT OF HUMAN TALENT

(103-1)

At Alfagres, we work towards the development and satisfaction of our human talent through a model that counts on committed employees who represent our organizational culture and values. Our purpose is to provide satisfaction and foster commitment towards the company, achieving a greater level of contribution to the organization while transforming each individual into an excellent brand ambassador.

Our value proposition is defined as follows.



Our talent approach stems from managing our organizational culture, establishing adequate development and training programs, strengthening ties with our employees, working towards improving their wellbeing and life quality and also that of their families, and lastly, developing a robust process on health and safety at work to minimize risks inherent in our industry. Next we will elaborate on the most important management aspects in each of the pillars:

(103-2) (103-3)

1. WE STRENGTHEN CULTURE GROUNDED ON VALUES



“Spoken principles and values are worthless. What is relevant is leading by example and action”.

— Pier Carlo Boggio
Founder Grupo Alfagres

We believe in our organization, in its future, and we are proud of our brand. We uphold values that motivate people to achieve results, always with ethics that guide and inspire us framed within actions that bring together our shared vision.

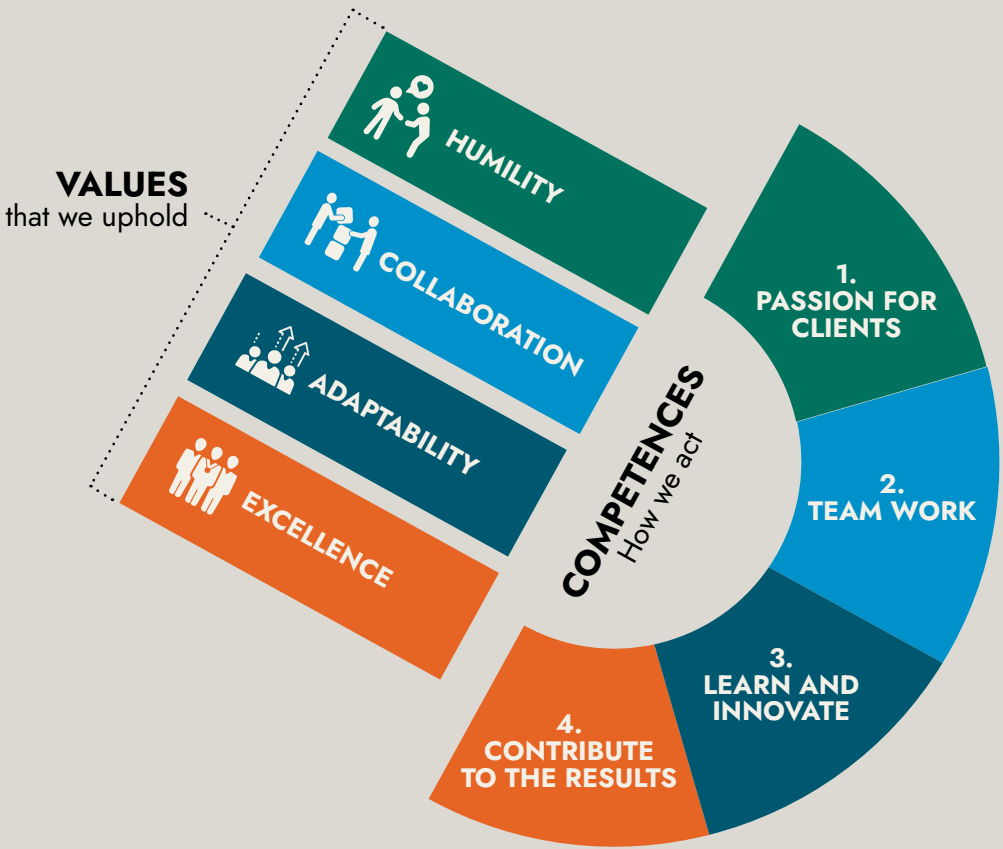
Our corporate values include the essence of our culture; they express who we are, how we behave and what we believe in, thus generating a positive impact.



Values are also expressed through organizational skills to make people’s actions concrete and for which we develop and promote the following scheme:

HOW WE ACT -

Our values are present in every daily activity through our **organizational skills**.



- 1**
We provide differentiated service experiences that support Alfagres value proposition, leaving a mark on our customers.
- 2**
We build collaboration networks that harnesses efforts oriented to value generation and fulfillment of company objectives.
- 3**
We question what we have and propose new and different solutions, always seeking to be the best in everything we do.
- 4**
We contribute to the achievement of the corporate strategy by fulfilling tasks and goals in a timely manner and with quality.

2. DEVELOPMENT AND TRAINING

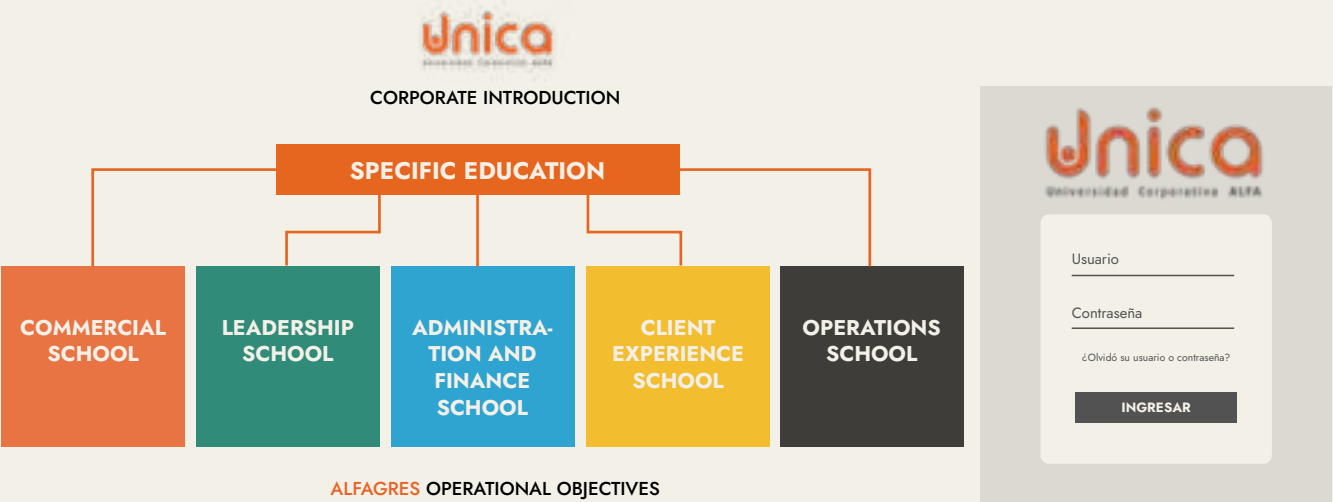
(404-1) (404-2)

As part of our commitment to our employees, we strive for continuous teaching and development of their capabilities with our annual training program. Through this, we are able to count on expert human talent with business knowledge and who are results oriented.

In 2021, we focused on managing performance based on objectives and skills, executing training plans aimed at bridging gaps in technical and soft skills, identifying competencies and creating the individual development plan for commercial positions, empowering our corporate university Única to develop cross-cutting courses and corporate induction for all new employees.

UNICA – ALFAGRES CORPORATE UNIVERSITY

It’s a strategy for managing organizational learning with the purpose of improving individual performance and generating value to the organization.

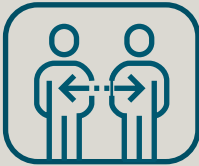
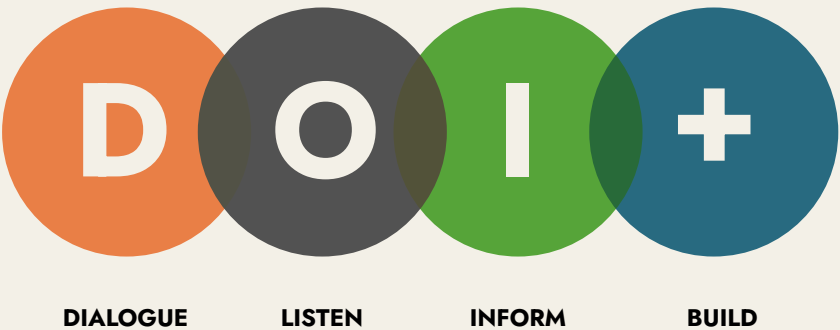


As a result of the training plan, our employees participated in 103 programs in a total of 6,359 hours which comes down to an average of 5.35 hours per person. These trainings were held at the national level. Participation in Bogota was of 69% and 31% in the rest of the country. Harnessing on the commercial growth strategy of our sales force, we devised and developed a plan to assess potential, mapping talent and creating individual development plans to identify strengths and areas of opportunity, establishing their development needs and revealing knowledge gaps to which we will focus all our efforts. In this process, 170 employees participated.

3. RELATIONSHIP WITH EMPLOYEES

We have established mechanisms of openness and dialog through employee programs where they have trustworthy, open and respectful spaces where they can freely talk about their needs, opportunities for improvement, concerns, yearnings and innovation projects among others.

DOI+: This space seeks to continuously to build a better company to work in. In 2021, we developed 16 DOI+ sessions with employees from different areas of the company where they found different solutions and streamlining of our resources for continuous improvement and internal communication between leaders and employees.



Committee for decent work
The company has a committee for non-unionized workers. The aim of the committee is to analyze an array of situations, inconveniences, needs or suggestions in order to improve work overall for a better work environment, greater coverage of their needs and improved efficiency and productivity standards. In 2021, the committee held 19 sessions.



Labor-management committee
The company respects the right to free association; hence, it has a union with which it has dialogue spaces aimed at maintaining collaborative labor relations to generate efficiencies and compliance with decisions of interests for the company. In 2021, they held 12 sessions.



Labor coexistence committee
The coexistence committee is created within the framework of Colombian legislation. The main objective of this committee is to avoid labor harassment in the company. This committee promotes the good treatment among workers within the company, strengthening relationships and achieving work environments free of harassment, thus ensuring employee dignity. This committee is made up by representatives from the company and employees.



Collective Bargain
For workers in operational positions in the plant and supply chain, dialogue and concertation mechanisms have been established through the collective bargain for non-unionized workers and a collective bargain for unionized workers which are carried out every two years.

4. HEALTH AND SAFETY AT WORK

(103-1)

We foster a healthy and safe work environment, preventing illnesses and the occurrence of work-related accidents, which in turn enables us to take advantage of 100% of employee strength and skill which eventually entails that together we are able to meet the strategic aims and objectives defined by Alfagres.

(103-2)

In 2021 at Alfagres, we focused on:

-  Ensuring compliance at work with health and safety requirements
-  Employee training and awareness
-  Prevention and promotion programs to ensure the comprehensive wellbeing of our employees.





OUR MAIN RESULTS

(103-3)

403-1 Health and Safety at work Management System
403-5 Training of workers on health and safety at work

• Ensure safety and health at work policies

We work towards the commitment of employees with respect to the preservation of their physical integrity, reinforcing compliance with the safety and hygiene bylaws and we strengthened the alcohol, tobacco, psychoactive substances, gambling and other addictions prevention policy, providing knowledge on the criteria for the prevention and control thereof, as well as providing assistance to deal with these social problems.

Within the framework of Colombian Law 0312, in 2021 the company achieved a 94.75% implementation rate of such as a result of the self-assessment of the minimum standards of its management and safety at work system.

Additionally, the company worked on identifying risks and hazards, creating learning spaces for middle and senior management with regards to the risks related to their positions.

• **Employee training and awareness**

We developed permanent induction and retraining spaces and promote campaigns to identify hazards and teach prevention and self-care.

The training and awareness process had the following participation:

Brigades: 78 hours with a total of 54 employees.

Induction: 464 hours with a total of 436 employees.

Work at heights: 41 employees, where each employee invested 80 hours.

In other promotion and prevention programs carried out in 2021, we completed a total of 1,159 hours of training in topics such as: healthy habits, prevention of alcohol, tobacco and psychoactive substance use, and hand, respiratory and hearing self-care.



Prevention and promotion programs to ensure the comprehensive wellbeing of our employees

Throughout 2021 and faithful to our commitment of caring for our employees, Alfagres invested a sum of COP\$122 million to buy 1,142 covid vaccines which was the result of the Empresas por la Vacunación (Businesses Supporting Vaccinations) initiative endorsed by ANDI, with the objective of protecting our employees and their families and reaching a coverage of 571 persons at the national level.

The company also provided psychological and emotional assistance with specialized professionals, impacting employees and their families.

HUMAN TALENT FIGURES

(102-8) (401-1) (405-1) (103-2)

Today, Grupo Alfagres has over 1,500 direct and indirect employees. In 2021 we generated 462 employment opportunities with stable and quality conditions of which 170 were new positions as a result of expansion and growth programs in our production plants, as well as commercial growth and opening of new stores. In 2021, employee turnover due to retirement was 12.9% and the total contracting rate that included new positions reached 16.2%.

Our organization promotes the development and evolution of our employees in terms of skills and contribution irrespective of gender or age. We foster an inclusion policy which is reflected in the composition of its population, though the manufacturing sector is mostly masculine in terms of operating positions given the physical demand thereof. The distribution of our population is as follows.

With respect to the reality of our employees, by gender, age and seniority:

			2021
GENDER	INDICATOR	NUMBER	PERCENT
	WOMEN	274	19,7%
	MEN	1114	80,3%
AGE	< 30 years	319	23%
	30 - 50 years	807	58,1%
	> 50 years	262	18,9%
SENIORITY	< 3 years	446	32,1%
	3 - 10 years	420	30,3%
	> 10 years	522	37,6%

Seniority of 67.9% of Alfagres population exceeds 3 years, showing the positive impact of our human talent, their sense of belonging and pride for the brand.

Women play a significant role in the organization and we would like to draw attention to the high participation of women in commercial tasks amounting to **53.7% and in senior and middle management amounting to 52.7%.**

LEVEL	% Population	
	GENDER	2021
STRATEGIC	Women	34,2%
	Men	65,8%
TACTICAL	Women	31,1%
	Men	68,9%
OPERATIONAL PROFESSIONAL	Women	27,6%
	Men	72,4%
OPERATIONAL	Women	16,2%
	Men	83,8%

DIVERSITY

Women in head positions (directors and chiefs)	22	39,1%
Women in junior levels (coordinators, specialists and analysts)	44	29,5%
Women in top management roles	8	13,6%
Women in the commercial area	109	53,7%



8.2
OUR EXTERNAL SOCIAL FOOTPRINT
– HABITABILITY, EDUCATION AND EMPLOYABILITY

(103-1)

Contributing to the social and economic development of communities in our direct area of influence is of paramount importance to us. To that end, we are working in three important topics: habitability, education and employability.

The **La Cayena Foundation** is Alfagres main partner and developer of social responsibility programs in the different areas of influence so that the outreach of our social actions impact more communities.

HABITABILITY

Alfagres strives for the enhancement of vital spaces. Hence, we work actively in housing improvement for families in vulnerability conditions to make better their quality of life. Likewise, we believe in creating social spaces for community development such as schools or institutions to support improving their environments.

EDUCATION

Our collective development proposal considers two key factors: the development of employment capabilities mainly for young people about to start working, and teaching basic education and values to children for their development. Therefore, through programs we encourage our employees on their social commitment to support these initiatives.

EMPLOYABILITY

Economic and social development is achieved through quality employment. We are committed to creating jobs in our direct areas of influence. Similarly, we support programs that encourage the enhancement of labor skills, employability and entrepreneurship.



In 2021, in partnership with Fundación La Cayena, we participated in the following programs:

ACIMA

Social entrepreneurship – inclusive purchases

In partnership with Fundación la Cayena, we supported the ACIMA social entrepreneurship program. Through this program we have been supporting the creation and development of skills in social entrepreneurship during the past 6 years for single mothers. The program is dedicated to the manufacture of industrial garments and biosafety elements. Through this productive unit women are empowered, transformed and are able to generate income. From 2016, about 120 women have participated in this initiative, increasing new clients by 18% in 2021. Around **22% of the equipment manufactured** is bought by Alfagres in support of this initiative.

PLAN PADRINO ALFAGRES - ALFAGRES SPONSOR PLAN

Through this sponsor plan, Alfagres officials support programs such as “In search of Excellence” and “Count on Me” operated by Fundación la Cayena in the town of Juan Mina in Barranquilla, benefitting 66 children and teenagers.

CUENTA CONMIGO - COUNT ON ME

Our goal is to reduce the risks that children and teenagers from 5 to 16 years of age are exposed to, by helping them to properly use their leisure time for learning values, reconciliation, gender equality, peace and the development of sports skills.

Since 2015, this program has been put in place through a strategic partnership of Fundación Cayera with “Fútbol con Corazón” (Soccer with the Heart), a social business that uses soccer as a means to teach children values and skills required for life in general. There are **120 children** who benefit from this program by actively participating in 24 skill workshops. The participation rate of this program exceeds 85%.



Buscando la excelencia – seeking excellence

This program is intended to empower children and teenagers in the town of Juan Mina in the department of Atlántico through guidance and instilling in them socio-emotional competencies and teaching them English. The English teaching program has enhanced socio-emotional skills in **381 children and 80 teenagers**.

Conector - Connector

Through an alliance with Fundación Social, we have actively participated in a program by means of a series of conferences given by our employees. The objective of this program is that students from grade 9 to 11 of a school in Comuna 1 in Soacha are provided with socio-occupational guidance and become part of a training program for employability, enabling them to study or work upon completing their studies.

Construyendo Sueños con Alfagres – Building Dreams with Alfagres

In partnership with Fundación La Cayena and Banco de Alimentos de Bogotá, this program is for providing construction materials to improve habitability conditions of vulnerable families in our area of influence. In 2021, we delivered 12,551 k. of construction and remodeling materials.



Programa Creadores – Program Creators

We are interested in improving the lives of our dearest users, those who have a close relationship with our brand as a result of their work. Our products improve the employability conditions of construction workers and professionals, and this is instrumental for us. For that reason, in late 2020 we started the Creadores program where we engage with construction workers, architects, engineers, interior designers and other professionals in the construction sector.

Through this program we intend to create the first digital community of professionals, providing them with the possibility of training, networking, and building a portfolio of projects that they can show to the public, and finally offering them the chance to be listed in a public directory for potential labor and business opportunities.

In 2021 we were able to engage around **3,000 construction workers and professionals** through this program. We conducted 28 face-to-face or virtual sessions with over 580 attendees. 161 professionals were contacted by clients through the directory.



9. WE CARE FOR OUR SURROUNDINGS, OUR ENVIRONMENTAL DIMENSION

9.1 WATER MANAGEMENT

(103-1)

We understand our role in the development of our country and the commitment of creating economic and social value, identifying and managing the effects of our activities on the environment in order to continue our work of being facilitators of growth, offering responsible products and services that boost sustainability in cities and communities.

Identifying our environmental effects has allowed us to see opportunities related to processes. Additionally, we must ponder the consequences thereof for our stakeholders, area of influence and the business itself. We acknowledge that the operations of our organization consume water. The responsible use of this resource is paramount for life in any of its forms and also for our activities. This is a priority in our commitment towards sustainable development.



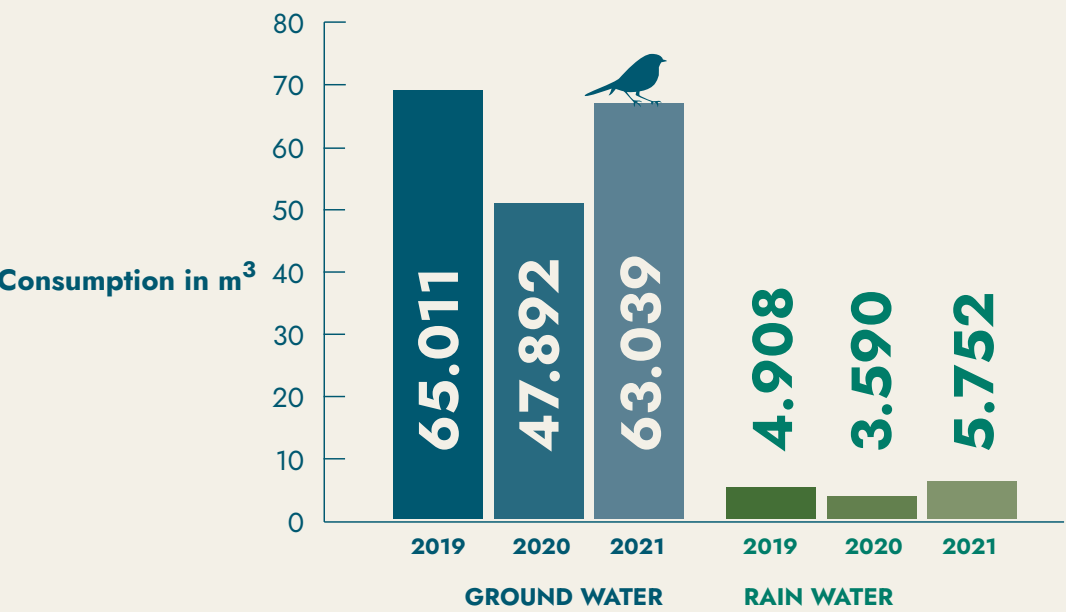


SUPPLY SOURCES

(103-2)

The water extraction matrix for the manufacturing of our products is made up mainly by rain and ground water used under a concession contract that permits us a flow of 5.35 l/sec.

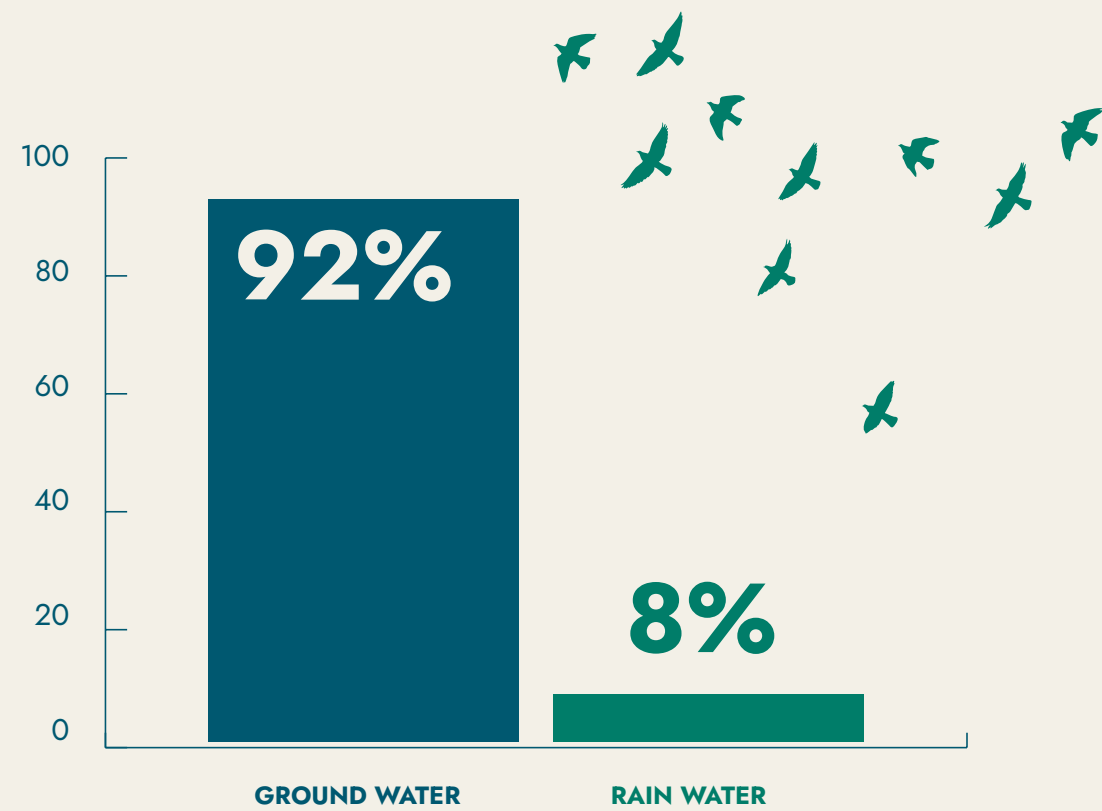
(303-5) Water consumption, (303-3) water extraction



Ground water is used in manufacturing lines and household services for company's personnel whilst rain water is used exclusively for the preparation of byproducts.

Ground and rain water consumption increased in 2021 compared to 2020 by 60% given that production was halted as a response to the sanitary emergency resulting from COVID-19. However, in the case of ground water there is evidence of a 3% reduction compared to 2019 due to increased consumption of treated wastewater in some production activities. There was also a 17% increase in the use of rain water, the latter due to increased production of byproducts compared to 2019.

SOURCE OF WATER EXTRACTION DURING 2021



USE OF TREATED WASTEWATER

(303-2)

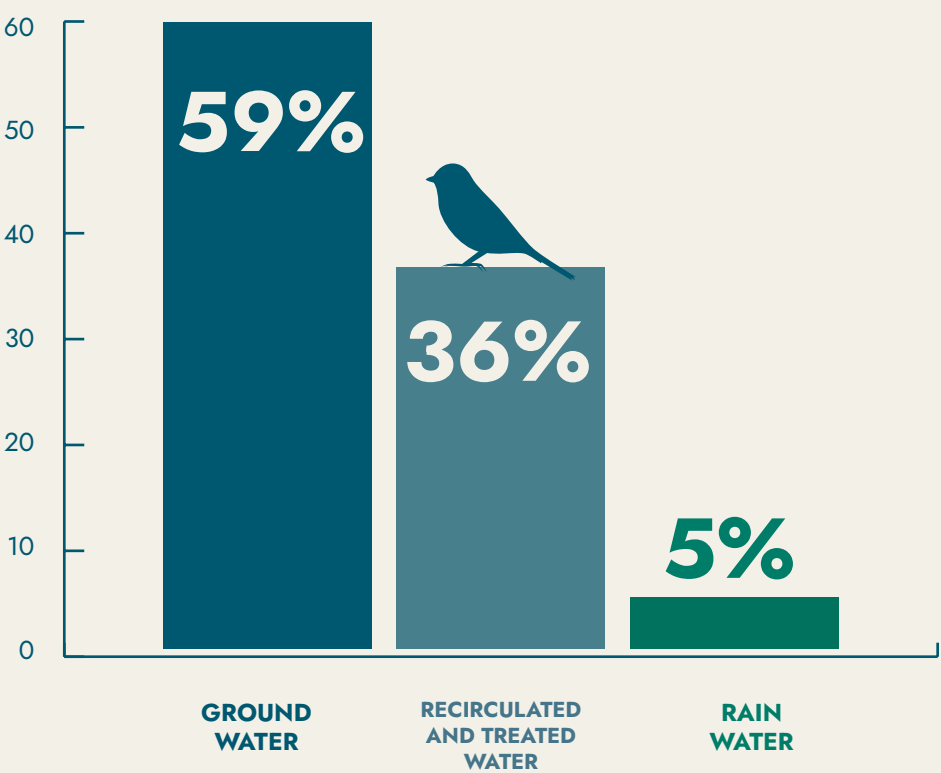
Our companies located in Soacha have both an industrial and a domestic water treatment plant.



Capacity of the industrial water treatment plant reaches 20 m3/hour. The purification process of industrial wastewater begins with the homogenization of waters coming from the production lines. It continues with chemical methods for the precipitation of solids and disinfection, and ends with filtration techniques, which result in treated water suitable for use in production processes.

The domestic water treatment plant can manage around 14 m3/hour. The purification process of domestic wastewater begins with the homogenization of waters coming from bathrooms, disinfection areas and kitchens of manufacturing companies located in the urban area of Soacha. It continues with physical, biological and chemical methods and it is subsequently subjected to industrial treatment.

DISTRIBUTION ACCORDING TO WATER SOURCE IN 2021



DISCHARGES

ZERO DISCHARGES

(303-4)

In order to achieve zero discharge, we began with a follow-up and adjustment of water consumption that allowed us to limit the minimum requirements of this resource for the production of flooring in terms of quality and quantity.

During the second stage, we established some changes to the wastewater treatment process, both for industrial and domestic water, in order to comply with quality standards required in production processes and control parameters that could affect human health. During this stage, a series of improvements were implemented in the filtering process and changes to treatment products were made in addition to enhancements to the maintenance program of water treatment plant equipment, installation of satellite equipment to ensure quality in specific areas, and reforms to the infrastructure to enhance treatment of domestic water.

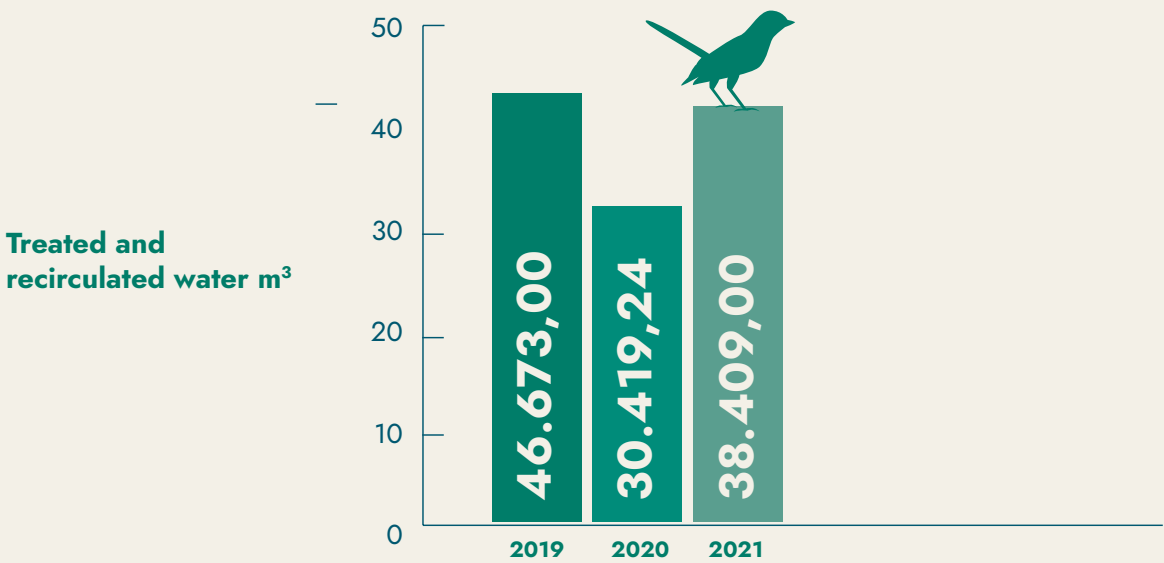


Finally, the quality of treated wastewater is ensured through monitoring conducted by the company’s main lab and certified external labs.

Since 2016 we have maintained zero industrial and domestic discharge in manufacturing lines of the production processes. This is due to the treatment applied to wastewater which allows it to be used in direct production activities, thus reducing drinking water consumption by more than 50% in our work. In the processing of byproducts, there is no discharge of industrial water and the water used in manufacturing evaporates. For the treatment of domestic wastewater related to the process, the company has a storage system in place and sludge is subsequently disposed of through authorized third parties.

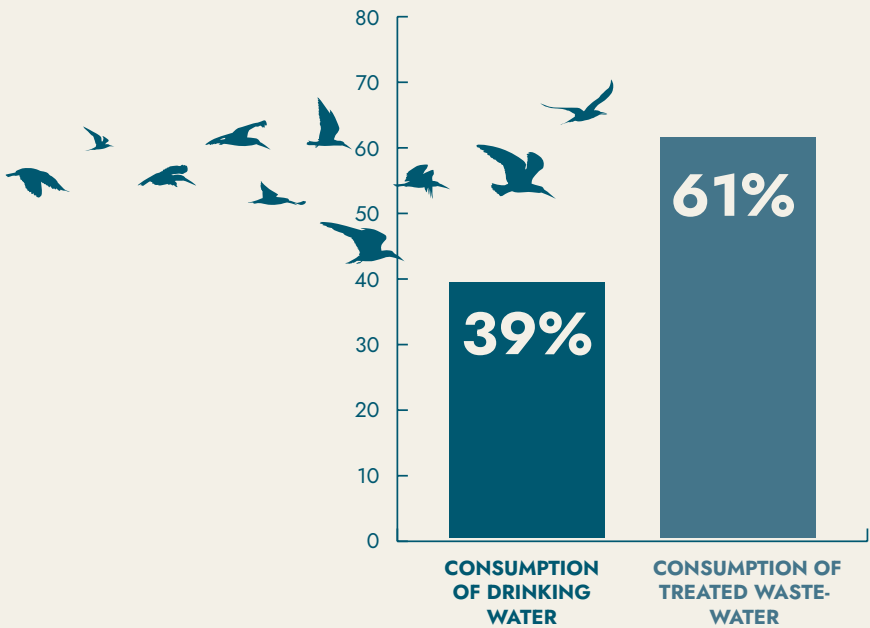


Recirculation of treated water



60% of the water used for the production of ceramic flooring consists of treated wastewater due to increases of this resource during the milling process.

Distribution of water used for the production of enameled ceramic and stoneware in 2021.



MANAGEMENT OF CONSUMPTION

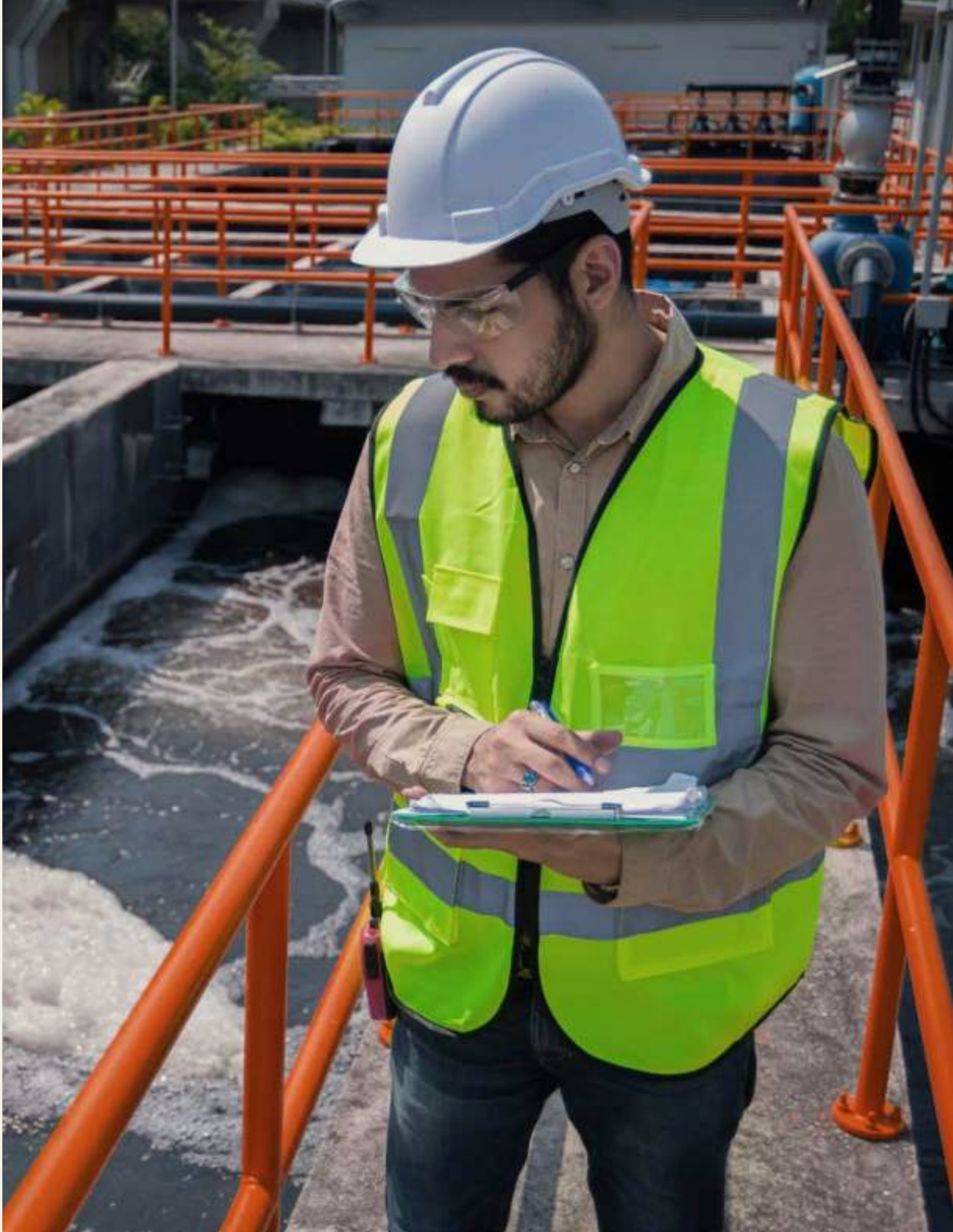
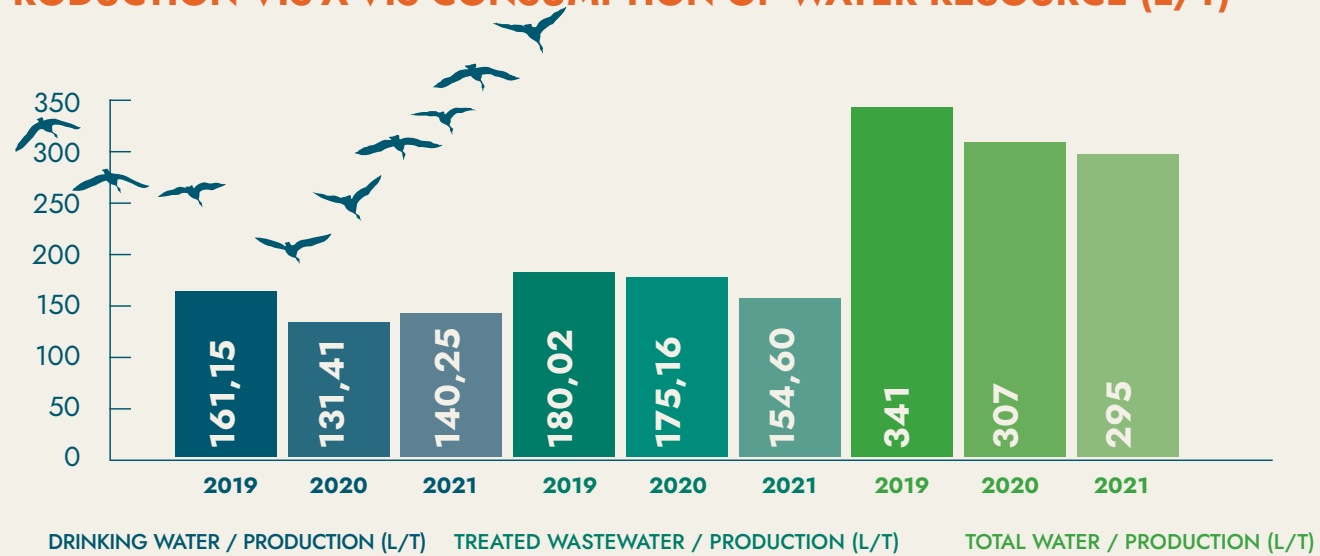
Our environmental management group has dedicated personnel that monitors the water—its quality, availability, consumption and correct diversion in the delivery of drinking water, treated wastewater and rain water. This management is framed in the **Program of Efficient Use and Saving of Water** which has placed controls on greater water consumption spots, established efficient procedures for usage, replaced usage, verified waste areas and raised awareness of this resource among our employees.

MANAGEMENT RESULTS 2021

(103-2) (103-3)

Our **water consumption in ceramic flooring does not exceed 0.3 liters of ground and treated wastewater** per kilogram of product, **maintaining consumption below NTC 6024 resulting in a ceramic with the Colombian Environmental Seal** which cannot exceed one liter of water per kilogram of product. Reduction in the consumption of ground water for the production of flooring, comparing 2021 to 2019, base year for comparison purposes as there was habitual consumption before the sanitary emergency of COVID-19, was approximately 13% resulting from an efficient management of the resource.

PRODUCTION VIS-À-VIS CONSUMPTION OF WATER RESOURCE (L/T)





9.2
CLIMATE CHANGE

(103-1)

Among the significant environmental aspects of the organization’s operations is energy consumption. This issue has a strong impact on the costs of value chain activities and ensuring its availability is relevant for business continuity.

We have a comprehensive energy management processes in place which enables us to identify and control leaks, gage equipment to obtain high efficiencies, reduce waste and reprocessing through the monitoring of consumption which also facilitate the identification of areas where we can conduct technology updates and use residual energy.

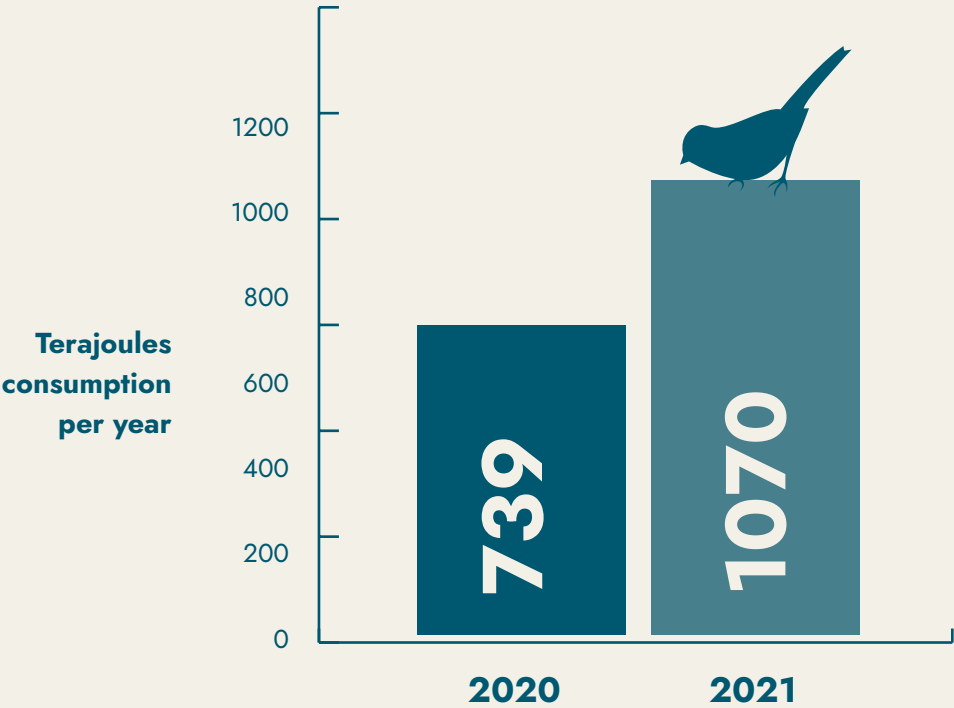
(103-2) (103-3)

MANAGEMENT RESULTS 2021

Total energy consumption in 2021 increased by 44.7% due to the lockdown of 2020 during which there was no energy consumption in some months. Likewise, according to the industrial growth plan, **in the last quarter of 2021, two new production units came online as a result of an operational enhancement.**

ENERGY CONSUMPTION IN THE ORGANIZATION

(302-1)

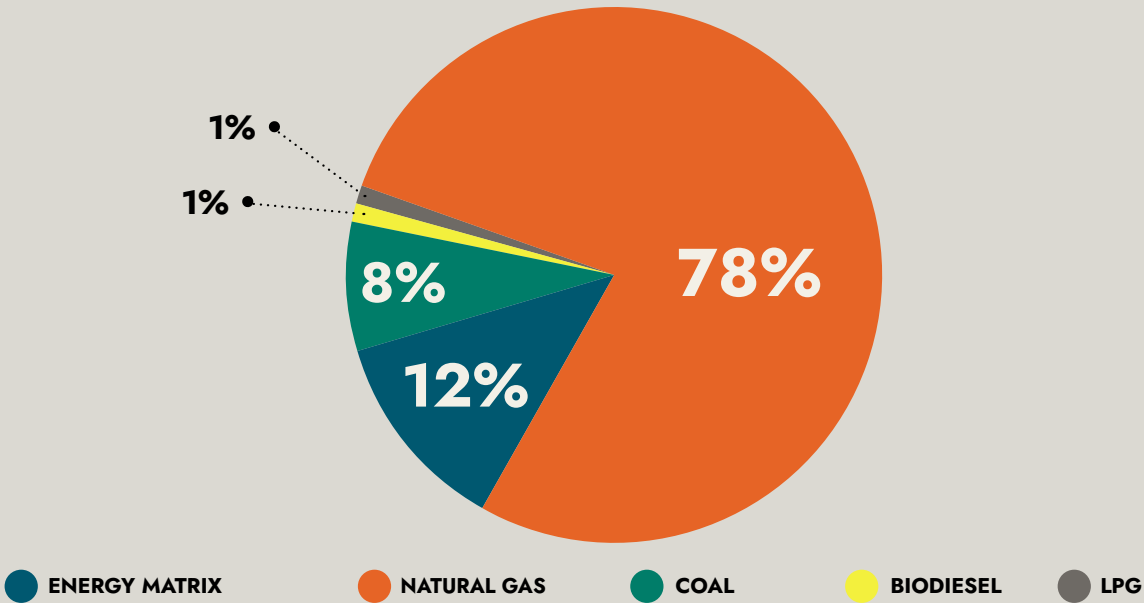


Electric power and natural gas are the main energy sources for the production of enameled ceramic floors, stoneware, slabs, tiles and their complements, paints and maintenance products, with a lower percentage for coal which is used in the manufacturing of chamotte. When we put everything in one measuring unit (Tj), the energy resource of greatest consumption is natural gas which represents 78% of total plant consumption. The following graph contains how energy consumption is broken down per energy source.

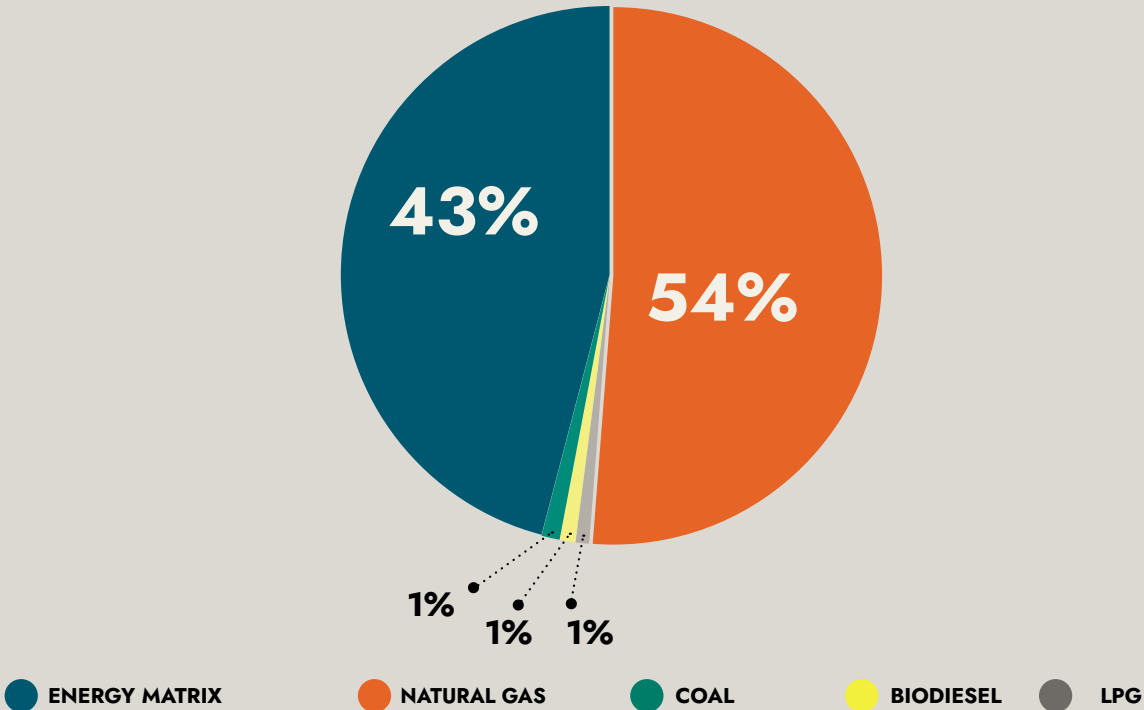
ENERGY CONSUMPTION WITHIN THE ORGANIZATION

(302-1)

ENERGY MATRIX 2021



EQUIVALENT COSTS PER EACH SOURCE





**TERRAZO
KRISTAL GLASS
AZUFRAL**
manufactured with
recycled glass

9.3 CIRCULAR ECONOMY

(103-1)

We are responsible for our permanence and in this regard we foster circular economy actions in our processes.

This strategy will help us to drive sustainable manufacturing practices, generating productivity increase with greater efficiency in the use of resources (raw materials, water and energy resources), creating shared value for our stakeholders and promoting the closure of material cycles and emissions by using byproducts and waste.

(103-2)

As part of the actions that apply to circular economy, we have the following: **recovery of scrap, consumption of byproducts** like carbonate resulting from cement slabs in Torino, **recovery of sludges, partnerships for recycling and management of hazardous waste, compost for organic waste and other extended responsibility actions**. These actions are a response to impacts generated by our operations.

Other circular economy actions include recirculation of water, use of hot air, both of which were previously mentioned.

GENERATION OF SOLID WASTES

• Mineral wastes

Among the mineral waste, we produce scrap corresponding to non-conformance finished products, byproducts such as carbonate which are the result of crushing of marmolinas used to produce tiles, clay from rejects which is the raw material that do not meet quality standards, ceramic sludges, sludges resulting from the tile polishing process and a very small percentage of debris from modifications to premises.

• Non-mineral wastes

For non-mineral wastes we have designed a system that allows for the correct classification from the source, the safe storage and appropriate disposal through specialized third parties. Those that may be used such as carbon compounds, plastic, scrap and oils are valued and reused by other industries. With this activity we also support the generation of jobs through recycling and foster a decrease in our ecological footprint of products that use waste as their raw materials.

For organic waste, we transform and use it internally, consolidating the compost process to degrade these wastes and then use them in the maintenance of the company's gardens and mine recovery areas.

Hazardous wastes are disposed of through authorized third parties that ensure compliance with all standards related to incineration processes or containment cells.





MANAGEMENT RESULTS 2021

(103-2) (103-3) (306-3) (301-2)

In 2021, around 850 tons of non-mineral waste was generated, of which:

68% was recycled through third parties.

2% internal compost and used in the recovery of company gardens.

4% disposals as hazardous waste through authorized third parties.

26% disposed of as ordinary waste through utility company.

We are within the limit specified as zero garbage for the management of non-sterile waste in company processes (70% of wastes must be used).

In 2021, around 20,600 tons of mineral waste was generated (does not include scrap), of which:

34% was used in the manufacturing of ceramic bricks.

23% is being used in the manufacturing of ceramic bricks in 2022.

43% was disposed of in authorized waste dumps.



RECYCLED SUPPLIES

(301-2)

MANAGEMENT AND REUSE OF SCRAPS

All scrap is reused within generator lines:

Around 11% of raw materials used for the manufacturing of ceramic paste corresponds to waste in brick kilns, while approximately 2% of raw materials used from the manufacturing of enamels are carbonates resulting from the manufacturing process of cement slabs.

Over **5,600 tons or reject clays** from ceramic floors was used in the manufacturing of chamottes in 2021.

EXTENDED RESPONSIBILITY

In 2021, we participated in the Empatica program for the recovery of materials, managing to recover and transform 10% of containers and packaging of national and foreign products that Alfagres placed in the market during 2018. 220,700 kilograms in containers and packages. The goal of the organization for the first year this standard entered into force were recovered and transformed complying with Resolution 1407 of 2018, whereby environmental management regulations for containers and paper, cardboard, plastic, glass, metal and other provisions are determined.



10. ANNEXES

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102-8	Information of collaborators and other workers	7.1 Our internal social footprint – Management of Human Talent	41
102-9	Supply Chain	6.4 Management of suppliers and supply chain	33
102-10	Significant changes	There were no significant changes for the company in 2021	
102-11	Precautionary Principle and approach	The precautionary principle aims to ensure the protection of a healthy environment and environmental sustainability for future generations, and is intended to guide the behavior of every person to prevent or avoid damage to the environment. In order to generate a rational use of natural resources, within a comprehensive concept of sustainable development and the economic and social strengthening of the country, we apply this precautionary principle or approach taking as a reference, for environmental management, legal compliance and corporate policies, being aware of the importance of implementing and maintaining processes that consider environmental aspects and the rational and efficient use of natural resources in each of the activities we carry out. The company is constantly seeking to develop innovative solutions to continuously improve its processes in order to prevent, mitigate, correct or compensate the environmental impacts or risks of our processes, avoiding pollution and seeking to favorably impact our surroundings, guaranteeing a transparent and responsible performance with the environment and our communities.	

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